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Report of the United Nations High Commissioner for Refugees, questions relating to refugees, returnees and displaced persons and humanitarian questions

Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Audit of the United Nations High Commissioner for Refugees Operations in Albania

Note by the Secretary-General

1. Pursuant to General Assembly resolutions 48/218 B of 29 July 1994 and 54/244 of 23 December 1999, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General for Internal Oversight Services, on the audit of the United Nations High Commissioner for Refugees Operations in Albania.

2. The Secretary-General takes note of its findings and concurs with its recommendations.

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Summary

A. Introduction

In March 1999, an estimated 450,000 Kosovars fled to Albania. In June 1999, after the cessation of hostilities, the overwhelming majority of these refugees repatriated spontaneously to Kosovo. During the emergency period and thereafter, the Office of the United Nations High Commissioner for Refugees (UNHCR) spent approximately $56 million for "emergency assistance to Kosova refugees in Albania".

In November 1999, the Office of Internal Oversight Services (OIOS) conducted an audit of the UNHCR operations in Albania covering the 1999 emergency phase and the post-emergency phase through October 1999. To determine whether the problems identified during the audit had been resolved, OIOS conducted a follow-up audit in November 2000. A draft of the present report was shared with the UNHCR coordinator for south-eastern European operations whose comments have been reflected, as appropriate, in the final report.

B. Results in brief

The initial audit disclosed serious shortcomings in the management of the emergency operation by UNHCR and its implementing partners:

- Procurement by UNHCR and its implementing partners did not always meet UNHCR procurement standards, nor did it achieve best value for money;
- Assets and commodities were not properly tracked and thus could not be fully accounted for;
- Programme monitoring of and budgetary control by implementing partners were inadequate;
- Taxes levied on purchases made by UNHCR and its partners were not refunded;
- Staffing during the emergency phase was inadequate and suffered from frequent turnover.

The follow-up audit showed that UNHCR had made significant progress in addressing the problems resulting from the initial shortcomings. Specifically, UNHCR has:

- Improved procurement procedures;
- Introduced a requirement for pre-qualification of implementing partners prior to delegating major procurement to them;
- Identified assets valued at an estimated $8.7 million, which had not been accounted for at the time of the initial OIOS audit;
- Strengthened controls over the remaining commodities and the tracking of stock movements;
- Obtained a refund of taxes levied on purchases made directly by UNHCR.

OIOS found, however, that UNHCR could still improve:

- The staffing of emergency operations to ensure the continuity of operations and proper systems of internal control;
- The monitoring of partners to ensure that project objectives are achieved, on a timely basis, within the agreed budget, and with proper and timely financial reporting;
- Its asset management system to more accurately reflect both assets on hand and those provided to partners.

C. Recommendations

OIOS recommends that:

- UNHCR should ensure that emergency operations are adequately staffed with key positions in programme, finance and supply chain management and are filled on time, rotation is kept to a workable minimum and, where required, appropriate handover arrangements are in place;
- UNHCR should ensure that adequate systems for the tracking of assets and commodities are established immediately from the beginning of an emergency;
- UNHCR should review its rules and procedures for financial management, procurement and asset management to determine whether these should fully apply to emergency operations or whether certain exemptions are required under a formally declared emergency;
- UNHCR should renegotiate, as appropriate, existing cooperation agreements with host Governments to ensure that tax exemptions granted to UNHCR under the 1946 Convention on the Privileges and Immunities of the United Nations are extended to programme purchases made by implementing partners with UNHCR funds. Without such tax exemptions, local purchases by implementing partners should be kept to a minimum.

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I. Introduction

1. In March 1999, an estimated 450,000 Kosovars fled to Albania. Following the withdrawal of Yugoslav forces from Kosovo in June 1999, the overwhelming majority of refugees spontaneously repatriated within a period of days, an unprecedented occurrence. From the outset, UNHCR was responsible for coordinating humanitarian activities and for providing emergency relief, supplies and temporary shelter and subsequently assisting the refugees to return home. The accelerated repatriation was unforeseen and emergency activities, such as building transit centres and camps, became unnecessary after the refugees' departure. Consequently, funds originally allocated for emergency assistance to refugees were redirected to building infrastructure and developing the local economy in gratitude to the Government and people of Albania for opening its borders to, and housing, the refugees. Funds were also used to rehabilitate campsites and other facilities used by the thousands of refugees during their stay. The emergency operations in Albania represented a significant effort in terms of UNHCR human and financial resources. Total funds spent under project 99/YU/ALB/EM/170 entitled "Emergency assistance to Kosova refugees in Albania" amounted to $56 million.

2. In November 1999, the Office of Internal Oversight Services (OIOS) conducted an audit of the UNHCR operations in Albania. The main objectives of the audit were to determine whether UNHCR had established adequate internal controls over the programme activities implemented; had adequately safeguarded assets and commodities; and had complied with applicable regulations, rules and procedures. The audit was conducted in accordance with general and specific standards for the professional practice of internal auditing in United Nations organizations. In assessing the activities undertaken, OIOS took into account the emergency character of the operation. The audit focused on programme activities and covered the emergency phase from April to mid-July 1999 and the post-emergency phase, through October 1999.

3. The audit identified a number of systemic problems. Initial findings and recommendations were communicated to UNHCR in February 2000, to which UNHCR responded generally in a positive manner. A final audit report was submitted to UNHCR in September 2000. After receiving the reply of UNHCR, OIOS conducted a follow-up review in November 2000 in order to reassess the operations because of their significance. A draft of the present report was shared with the UNHCR Coordinator for south-eastern European operations whose comments have been reflected, as appropriate, in the final report. UNHCR has not provided additional comments on the final version of the report.

II. Procurement

4. During the emergency phase, UNHCR Albania delegated a major part of the procurement to implementing partners. UNHCR Albania did so without any assurance that the partners had proper procurement systems in place or were able to meet generally accepted procurement standards. Furthermore, UNHCR Albania did not seek advice from the Supply and Transport Section at UNHCR headquarters to determine the most favourable option in terms of costs, delivery times and standardization. OIOS found no evidence that procurement by partners was more efficient in terms of cost and delivery times. On the contrary, the auditors discovered numerous problems.

5. One partner spent UNHCR funds totalling $975,000 for the purchase of 39 second-hand buses, an average price of about $25,000 per bus. The purchase of the buses was based on informal quotations obtained by the partner from three international suppliers. According to the partner, the offers were submitted to UNHCR Albania, which made the selection. The age of the buses ranged between 15 and 22 years with speedometer readings averaging more than 460,000 kilometres. While 22 buses were redeployed to Kosovo for use in the so-called "confidence-building bus shuttle", 17, purchased at a cost of about $425,000, were in such poor condition that their estimated aggregate value was only $19,000, less than one year later. UNHCR Albania engaged a mechanic to examine the buses and determine their condition. He identified a variety of problems and estimated that the rehabilitation of the 17 buses would require an additional investment of some $121,000. The mechanic further estimated that similar buses in excellent functional condition would cost less than $6,000 in the local market. The buses were eventually donated, in December 2000, to the Government of Albania, for use in its operations.

6. *The partner claimed having followed UNHCR procurement policies and explained that UNHCR had given a very limited period in which to plan and implement the project of transporting the refugees back to Kosovo. It indicated that it had only a few days to plan the operation and only three weeks to fully implement it by having 40 buses, 17 trucks, 3 mobile workshops and 10 light vehicles and sufficient staff established on the ground. The partner also stated that it had strongly urged UNHCR to procure the vehicles through the UNHCR Supply and Transport Section, but was requested by UNHCR to do the procurement itself. The partner also said that the short time period precluded it from canvassing the market for additional potential suppliers. UNHCR Albania confirmed the partner's version. UNHCR headquarters stated that it had no information indicating it would have been possible to procure a large number of buses from any local supplier in a short period of time.*

7. OIOS noted that the 22 buses sent to Kosovo for use in this confidence-building bus shuttle were operational but were subject to frequent mechanical failure and required ongoing repairs and maintenance, as cited in the partner's internal documents. OIOS is concerned that, overall, little value was received for the $1 million invested. Furthermore, the selection of the supplier by UNHCR Albania, with the purchase made through the partner, circumvented normal UNHCR procurement procedures, thus foregoing the technical expertise of the UNHCR Supply and Transport Section and avoiding scrutiny by the UNHCR headquarters Committee on Contracts. OIOS believes that the absence of such scrutiny was not beneficial for the programme.

8. *In response to the audit recommendations and in view of the experience with procurement by implementing partners in other operations, UNHCR has recently amended the Governing Clauses for UNHCR Agreements, making a pre-qualification of partners in meeting UNHCR procurement standards a condition for delegating procurement exceeding $20,000 to implementing partners.* OIOS welcomes this policy change and is confident that it will contribute to making procurement on behalf of UNHCR more transparent, efficient and competitive.

9. Prior to the emergency, UNHCR Albania had contracted warehouse space from a company. During the emergency, UNHCR required additional space and rented various warehouses in Durres from the same company. The company also provided stevedores and trucking and transport services. UNHCR Albania did not conduct competitive bidding owing to the emergency. The approval of UNHCR headquarters Committee on Contracts was not sought, although the cumulative contracts awarded to this single supplier for these particular services during the emergency totalled approximately $500,000. This amount substantially exceeded the threshold of $100,000, which requires contract awards to be submitted to the Committee on Contracts. Furthermore, the amounts charged and the rates applied by the contractor exceeded those stipulated in the contract. *UNHCR Albania indicated that it had used this company for these services because it was the most qualified and was capable of responding quickly during emergency operations.*

10. The 1999 warehouse contract included certain services, such as extra stevedores, which were billed as provided. UNHCR paid for all services billed, but OIOS could find no evidence that UNHCR had actually verified the validity and accuracy of the invoices. Given that the company charged UNHCR amounts that exceeded the contracted amount, OIOS believes staff should have adequately documented that all invoices had been verified prior to payment.

11. The follow-up review found that procurement activities in 2000 were generally well administered and organized, a marked improvement over the situation identified earlier. *UNHCR Albania had awarded a new contract for warehousing and transport services on the basis of competitive bidding after obtaining the approval of the Committee on Contracts.*

III. Asset management

12. In the beginning of the emergency, many assets were distributed without adequate tracking, weakening control over them. This omission was compounded by the fact that some partners regarded the assets as their property. Consequently, when the emergency ended, certain partners transported assets to areas outside Albania, without informing or obtaining approval from UNHCR. At the time of the initial audit, UNHCR Albania had just begun verifying the assets provided to, or purchased by, the partners with UNHCR funds.

13. OIOS recommended that UNHCR properly identify and account for all assets as soon as possible. During the follow-up audit, OIOS noted substantial

improvement in this area. According to the UNHCR asset management system, about $8.7 million in assets had been identified as belonging to UNHCR. UNHCR Albania accomplished this through an extensive exercise, which was still ongoing as of December 2000, a year and a half after the end of the emergency. OIOS commends the current staff of UNHCR Albania for the efforts made and results achieved so far. Nevertheless, had sufficient attention been paid to the asset management function at the inception of the emergency, UNHCR Albania would not have had to invest significant staff resources to identify its assets after the fact.

14. Notwithstanding this marked improvement, the auditors found some areas that could be strengthened. Information contained in the UNHCR asset management system, which also tracks assets held by UNHCR partners, did not always reconcile with the partners' own records. OIOS also noted that partners no longer involved in UNHCR activities had retained assets, such as telecommunications equipment and computers, a year or more after the planned activities had ceased. OIOS believes that assets should be retrieved from partners after the completion of the project on a timely basis in order to make much-needed assets available for redeployment to other operations and to minimize the risk of loss and deterioration.

15. In 1999, UNHCR Albania informed the Government of Albania that it was transferring ownership of vehicles to the Government of Albania, in recognition of the support given during the refugee emergency. However, UNHCR Albania did not seek prior approval from the headquarters Asset Management Board, as is required. The case was processed by the local Asset Management Board and, in June 2000, sent to the headquarters Board, which approved the transfer of ownership of the vehicles, valued at $192,000, in December 2000. OIOS noted that, at the time of the follow-up audit, the vehicles used by government agencies retained UNHCR license plates. Since UNHCR may be held responsible for any accident caused by vehicles bearing its license plates, retrieving them is important in order to limit its liability. At the time of writing the present report, only 6 out of 34 license plates had been retrieved. *UNHCR Albania explained that various attempts to recover the license plates from the Government had so far been unsuccessful. UNHCR Albania has sought the assistance at the highest levels of the Government of Albania and has formally notified the Government that it declines any responsibility for damage caused to or by such vehicles carrying UNHCR number plates.*

IV. Warehousing

16. During the period March to August 1999, non-food items, such as tents, blankets and mattresses, valued at more than $12 million, arrived in Albania, but not all commodities were systematically tracked. The UNHCR inventory system, the commodity tracking system (CTS) did not start to operate in Albania until mid-May 1999 and the users experienced technical problems at least for several months thereafter, reducing its effectiveness. As many shipments were being sent directly by non-governmental organizations, Governments and bilateral donors, UNHCR Albania informed the auditors that many items entered Albania without any identifiers, especially during the first weeks of the emergency, making it virtually impossible to initially track the items. In addition, to facilitate the movement of goods, trucks were loaded directly from the cargo carriers for transport to the camps without all the items having been counted or identified. OIOS thus was unable to determine conclusively whether commodities delivered to the country ultimately had been received by the intended recipients, UNHCR and the refugees. *UNHCR indicated that none of the seven UNHCR field offices operating during the emergency experienced any shortfalls.* Further, CTS crashed in August 1999 and UNHCR Albania therefore decided to start anew with reliable data by doing a physical count of the commodities in the main warehouses.

17. The commodities in the main warehouses consequently were physically counted for the first time in September 1999 and numerous discrepancies were revealed between the items in the warehouses and the amounts recorded in CTS as of August 1999. It was decided that the information derived from the physical count in the main warehouses would become the starting point for tracking commodities. A complete verification and reconciliation of items delivered during the emergency phase therefore was no longer possible. In July 2000, a major part of the items held in Albania were redeployed to the Eritrea emergency operation. Subsequently, all warehouses were consolidated into one. A physical count of the remaining items was conducted in October 2000 and

revealed only minor discrepancies. During the follow-up audit, OIOS test checked the CTS by judgementally selecting goods in the warehouse and tracing them back to CTS and vice versa. No exceptions were noted. OIOS appreciates the substantial improvements made in managing the commodities with the remaining items now properly managed and controlled.

V. Programme management

18. During the initial audit, OIOS noted a number of deficiencies in programme management. UNHCR Albania tolerated overspending of budget lines and did not identify incorrect reporting of expenditure by implementing partners, thereby diminishing the effectiveness of budgetary control.

19. UNHCR Albania also did not always revise the sub-agreements with its partners in a timely manner to properly reflect the actual project activities. With the spontaneous repatriation of almost all the refugees between mid-June and early July 1999, the original project activities abruptly ceased. Instead, funds initially budgeted but no longer required for assistance to refugees, were redirected towards rehabilitation and local development projects, many of them in the form of quick impact projects. Despite a complete change in objectives, beneficiary groups and types of activities, the existing sub-agreements with some partners were not revised until November or December 1999, and in one case, February 2000. Thus, partners were implementing activities on behalf of UNHCR without a contractual basis. Further, the lack of properly defined objectives and specific budgets contributed to misunderstandings between the partners and UNHCR. Partners informed the auditors that they often acted on the basis of a verbal agreement with previous UNHCR Albania staff, but these agreements were then contested by successive UNHCR staff members.

20. OIOS also noted that several partners had been implementing activities without valid sub-agreements. For example, UNHCR substantially changed one partner's activities at the end of the emergency period to include new objectives and new activities, which involved a reallocation of 45 per cent of the agreed sub-project budget. This was done, however, without revision of the sub-agreement. As a result, the partner was implementing an $860,000 programme without a clear legal basis.

21. OIOS appreciates the difficult circumstances of the emergency and immediate post-emergency operations, but a delay of almost six months in formalizing substantial changes to a sub-project is not considered acceptable, even in a post-emergency situation.

22. In other cases, UNHCR Albania did revise the sub-agreements, but without taking into account changes already in effect. For instance, with one partner, UNHCR revised the sub-agreement to reflect the reduction of a specific budget line to $450,000, although the partner already had informed UNHCR Albania that it had spent $553,000. Three months later, another revision was made to the sub-agreement, again with no change to the budget line concerned although by that time $607,000 already had been spent under the budget line, exceeding the allotted amount by 35 per cent. OIOS believes that this example indicates inadequate financial monitoring by UNHCR.

23. During the follow-up audit, OIOS found that some partners had continued to negotiate sub-agreements with UNHCR even after the project period had ended. Other partners were over six months late in submitting the required financial information. *UNHCR Albania explained that it had urged its partners to comply with the requirements but to no avail.* OIOS believes that UNHCR headquarters should have been involved at an earlier stage in order to discuss this issue with the partners' headquarters to expedite a solution.

24. UNHCR Albania did not always sufficiently monitor the partners' performance, which resulted in a failure to identify or prevent problems in a timely manner. Partners unilaterally changed activities such as rehabilitation and reconstruction projects without UNHCR Albania's approval. In one instance, one partner was tasked with rehabilitating a campsite previously occupied by refugees. The rehabilitation was stopped suddenly owing to a legal dispute with the owner. An estimate of the degree of completion was prepared in order to determine the amount owed to the contractor hired by the partner. The partner estimated that the work was 65 per cent complete, based on signed "daily material quantity sheets", and correspondingly paid an amount of $258,000 to the contractor. The UNHCR estimate, however, varied between 10 and 50 per cent, depending on which technical consultant was asked. OIOS believes that the huge gap between the technical consultant's assessed

completion rate of 10 per cent and the partner's reported completion rate of 65 per cent, on the basis of which it paid would have been identified earlier on if UNHCR Albania had more timely monitored the project. UNHCR also could have verified whether the amount paid by the partner was justified. This points to the need for strengthening project monitoring. *UNHCR Albania agreed that serious discrepancies existed in the reporting of the project and that the exact completion rate was only an estimate at best. However, notwithstanding serious doubts about the reports submitted, UNHCR Albania does not see a sound legal basis for recovering funds from the partner.*

VI. Taxation

25. According to the 1946 Convention on the Privileges and Immunities of the United Nations, to which Albania is a party, Member States will make appropriate administrative arrangements for the remission and return of duty or tax charged on important purchases made by the United Nations for official use. In 1999, UNHCR Albania paid a value added tax (VAT) totalling more than $61,000, for which reimbursement was still pending.

26. *Subsequently, UNHCR Albania confirmed that close to $55,000 had been recovered and the remaining amount related to payments not eligible for a tax refund. UNHCR Albania has further confirmed that, for purchases made in 2000, a total of $15,000 had already been refunded and that currently reimbursement is sought and obtained on a monthly basis without problems.* OIOS is pleased to note that the efforts made by UNHCR Albania have been successful and that the tax privileges stipulated by the 1946 Convention are now granted without problems.

27. Much higher amounts, however, were charged for purchases made by UNHCR partners for programme purposes. At the time of the initial audit, one partner said it had already paid about $500,000 in VAT and was planning to seek reimbursement. That partner subsequently revised its estimate of reimbursable VAT downward because of the requirements of the Government but did not quantify the amount. During the follow-up audit, OIOS learned that several partners were in negotiations with the Government but it was a time-consuming and unproductive process. *UNHCR Albania informed the auditors that the Government of Albania challenges the application of the 1946 Convention on the Privileges and Immunities of the United Nations made by UNHCR partners.* Indeed, neither the 1946 Convention nor the 1994 cooperation agreement between UNHCR and the Government of Albania contains a stipulation on tax exemption for UNHCR partners. Given this legal situation, local purchases by implementing partners should have been kept to a minimum. UNHCR Albania, on behalf of its implementing partners, together with other United Nations agencies should nevertheless continue to negotiate with the Government of Albania for an amicable solution to obtain at least a partial refund of the significant amounts of VAT charged in the past. Partners should be urged to submit proper documentation for any VAT payments made from UNHCR project funds without further delay.

28. OIOS noted that a similar situation exists in a number of other countries that are parties to the 1946 Convention on the Privileges and Immunities of the United Nations, thus increasing the cost of goods and services purchased by UNHCR partners for humanitarian purposes. UNHCR should therefore renegotiate, where appropriate, the cooperation agreements with a view to extending the tax exemption to programme purchases made by implementing partners with UNHCR funds. Pending a solution, UNHCR should not delegate purchasing to implementing partners and should ensure that invoices are always in the name of UNHCR. The Office of Legal Affairs has recently clarified that UNHCR is indeed entitled to reimbursement of any VAT payments on goods purchased by UNHCR for use either by UNHCR or its implementing partners for official UNHCR purposes. Significant tax savings would result if implementing partners avoided making purchases with UNHCR funds.

VII. Staffing

29. Delays in recruiting and assigning appropriate staff as well as the high turnover of such staff explains many of the problems encountered during both audits. For example, one telecommunications staff member said he had been requested for Albania in early April 1999, but arrived there only in May since it took over a month to process the travel request. During the initial stages of the crisis, immediate deployment of telecommunications/computer personnel could have facilitated communication between the various offices.

According to one logistics officer, during the first week of the emergency, the office in Albania was severely understaffed in relation to the number of refugees and commodities entering the country. This was a critical phase of the operations, and out of necessity, many activities devolved to prefectures and contractors with minimum monitoring. Furthermore, while the auditors found that many staff members were very capable and extremely conscientious, others lacked expertise in the area to which they were assigned. Between the end of March and mid-August 1999, three successive administrative officers had been assigned to Tirana. Even under normal circumstances, this kind of turnover disrupts the continuity of operations. Under emergency conditions, the negative impact on operations is further exacerbated.

30. The auditors noted that some staff members felt that adherence to UNHCR rules and regulations was of a lesser priority under emergency conditions. Certain staff members stated explicitly that the emergency operation took precedence over strict adherence to rules and regulations. OIOS agrees that, during an emergency, certain regulatory and procedural requirements may have to be reduced in order to address effectively the refugees' immediate needs. However, it cannot be left to the discretion of individual managers and other staff members in the field to decide ad hoc whether, and to what extent, existing rules and procedures shall be complied with. There is a need for a clear policy determining which rules and procedures may be applied differently under a formally declared emergency operation. For example, the dollar thresholds requiring a formal bidding process or requiring the involvement of a contracts committee might be increased; the level of delegation of authority to the field might be increased; a significantly higher transaction limit for cash payments might be established; approval requirements for the redeployment of assets between different countries of an emergency situation might be simplified or waived; budgetary transfers within project budgets might be authorized at the highest level (sector level) and at a higher rate than the usual 15 per cent; procedures for recruitment and posting of staff might be simplified and shortened. UNHCR should determine to what extent such a liberalization of rules and procedure is warranted.

31. Some staff members responsible for negotiating the initial sub-agreements and dealing with the partners concerning the use of assets had left Albania prior to the initial audit mission. Remaining staff members were revising the budgets, not only to reflect the post-emergency phase, but also to adjust some budget lines previously agreed to orally. This often proved difficult because the rationale for using particular budget lines and the amounts allocated were not always clear.

32. OIOS appreciates that many of the UNHCR international staff members involved in the 1999 emergency operation are no longer in Albania. Nevertheless, current staff are responsible for addressing the problems incurred before their tenure. The staff generally were commendable in executing their responsibilities but their lack of first-hand knowledge about the 1999 operations hampered their efforts to resolve problems.

33. Although UNHCR has an emergency management response team, which can deploy almost immediately after a refugee crisis is identified, the team is committed to remaining in the emergency situation for two months, a limited period of time. The initial deployment of the emergency management response team is often followed by a sequence of short-term assignments of staff members until a regular posting takes effect. OIOS believes that key staff members serving in an emergency operation should be assigned for a minimum period of time, and that whenever a rotation is required, proper hand-over procedures need to be arranged. Given the frequent staff changes during emergency situations, proper documentation of decisions becomes even more important. While noting that many of the above issues have been extensively addressed in the independent Kosovo evaluation and discussed in the standing committee meetings of the UNHCR Executive Committee, OIOS will review the UNHCR staffing of emergency operations during the course of 2001 to identify and analyse general problems and assist in addressing them.

VIII. Implementing partners

34. During the initial audit, in certain instances, the auditors were unable to verify the partners' expenditure in full because budgets were still under revision to reflect programme changes resulting from the end of the emergency phase. Furthermore, access to records was, in some cases, limited. One objective of the

follow-up audit was to review the final information reported by the partners.

35. Several partners submitted their final financial reports to UNHCR with considerable delay. This forced UNHCR to keep the project open for months after its planned closure. As of November 2000, one partner still had not submitted its final report in full, as required, citing staff turnover and record-keeping difficulties as reasons for the delay. *UNHCR Albania informed OIOS that the partner eventually provided the report in December 2000.* Another partner did not submit its final financial report until September 2000, for a sub-project that had ended in December 1999. The partner explained that the delay was due to UNHCR Albania's indecisiveness on how to report certain expenditures. *UNHCR Albania refuted this, saying the delay was a result of an incorrect final financial report and staff turnover by the partner.*

36. One partner submitted what was supposed to be its final financial report in June 2000, 10 months after the contractually agreed-upon deadline. The partner, an experienced international non-governmental organization, explained its tardiness by saying that it had been overwhelmed by the massive workload caused by its many activities following the crisis. The report revealed that the partner had overspent the agreed project budget by some $243,000 or 11 per cent of the budget. This points to serious weaknesses in the partner's budgetary control and financial reporting. The over-expenditure prompted UNHCR to renegotiate several budget lines in July 2000. As a result, the partner agreed to reimburse UNHCR about a third of the over-expenditure ($85,000) while UNHCR absorbed the difference, increasing the project budget accordingly. The partner resubmitted its final report in August 2000 to reflect the renegotiated budget.

37. This partner was responsible for operating the convoys that transported refugees home. The partner rented vehicles for an initial period of three months, starting in July 1999, at a total cost of $115,000. The rental fees were paid in advance. Since the operations ceased in August, OIOS believed that UNHCR should not be charged rent for the full three-month period. In the previous audit report, OIOS recommended that the partner reimburse UNHCR approximately $30,000. *UNHCR Albania considers this issue resolved with the reimbursement of part of the over-expenditure by the partner.*

IX. Government partners

38. During the emergency phase, the implementation of sub-projects with a total value of about $17 million was entrusted to various government implementing partners. In September 1999, UNHCR Albania engaged an audit firm to review the financial reports submitted by its government partners. While the external auditors were able to issue audit reports with unqualified opinions on five of the sub-projects implemented, they issued a qualified opinion on the sub-project accounts of another ministry. This qualification was based, in part, on the lack of valid supporting documents and unreconciled differences between the balances reported to UNHCR and those presented in the financial records of the ministry.

39. Furthermore, the external auditors submitted reports on two sub-projects totalling over $13 million implemented by a ministry, for which no opinions could be expressed. These auditors issued a disclaimer of opinion on one sub-project because they were unable to obtain independent confirmation of the accuracy of the amounts recorded as payments to host families. For the second sub-project, they were unable to do detailed testing of accounts at various municipalities because the responsible government officials were not available, could not identify UNHCR expenditures or could not provide supporting documentation. Consequently, the auditors could not express an opinion as to whether the financial statements presented a true and fair view of the receipt and use of UNHCR funds. As a result, UNHCR has no assurance that the bulk of project funds managed by its government partners has been spent and accounted for properly. Given that substantial sums of funds were involved, OIOS recommended that UNHCR not enter into further sub-projects with this partner. *UNHCR Albania responded that further sub-projects with this entity were not foreseen in the short or medium term.*

X. Conclusions

40. **The initial OIOS review disclosed serious shortcomings in the management of the emergency operation in Albania by UNHCR. The follow-up review showed that UNHCR had made considerable progress in addressing the concerns raised. Procurement procedures have been improved, and a pre-qualification of implementing partners is**

required prior to delegating the procurement to them. Programme assets totalling $8.7 million, not previously accounted for, have been identified, recorded and retrieved. Controls have been strengthened over commodity tracking, and a refund of taxes levied on purchases made by UNHCR was obtained.

41. However, further efforts are needed to introduce guidelines and procedures to ensure non-recurrence of deficiencies in the management of emergency operations. Key positions need to be efficiently staffed; adequate systems for tracking assets and commodities need to be established from the outset; and rules and procedures need to be reviewed to determine whether they should fully apply to an emergency operation.

XI. Recommendations

Recommendation 1

UNHCR should ensure that emergency operations are adequately staffed with key positions in programme, finance and supply chain management filled on time, rotation should be kept to a workable minimum and, where required, appropriate hand-over arrangements are in place (AR2000/202/06/01).

Recommendation 2

UNHCR should ensure that adequate systems for the tracking of asset and commodities are established immediately from the beginning of an emergency (AR2000/202/06/02).

Recommendation 3

UNHCR should review its rules and procedures for financial management, procurement and asset management to determine whether they should fully apply to emergency operations or whether certain exemptions are required under a formally declared emergency (AR2000/202/06/03).

Recommendation 4

UNHCR should renegotiate, as appropriate, existing cooperation agreements with host Governments to ensure that tax exemptions granted to UNHCR under the 1946 Convention on the Privileges and Immunities of the United Nations are extended to programme purchases made by implementing partners with UNHCR funds. Without such a tax exemption, local purchases by implementing partners should be kept to a minimum (AR2000/202/06/04).

(*Signed*) Dileep **Nair**
Under-Secretary-General
for Internal Oversight Services

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Item 111 (g) of the preliminary list*
Environment and sustainable development: Promotion of new and renewable sources of energy, including implementation of the World Solar Programme 1996-2005

Concrete action being taken for the promotion of new and renewable sources of energy, including the implementation of the World Solar Programme 1996-2005

Report of the Secretary-General

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* A/56/50.

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I. Introduction

1. The General Assembly, in its resolution 53/7 of 16 October 1998, endorsed the World Solar Programme 1996-2005 as a contribution to the overall sustainable development agenda and, in its resolutions 54/215 of 22 December 1999 and 55/205 of 20 December 2000, called for further action to ensure that the Programme was fully integrated into and brought into the mainstream of the efforts of the United Nations system towards attaining the objective of sustainable development. In the latter resolution, the Assembly reiterated that mutually supportive efforts at the national and international levels are imperative in the pursuit of sustainable development, which includes, inter alia, the provision of financial resources and the transfer of technology for the application of cost-effective energy and the wider use of environment-friendly, renewable sources of energy.

2. Taking note with appreciation of the report of the Secretary-General on concrete action being taken for the promotion of new and renewable sources of energy, including the implementation of the World Solar Programme 1996-2005 (A/55/91) and action to promote the mobilization of resources, the General Assembly invited the international community to support, as appropriate, including by providing financial resources, the efforts of developing countries to move towards sustainable patterns of energy production and consumption. It again called upon all relevant funding institutions and bilateral and multilateral donors, as well as regional funding institutions and non-governmental organizations, to support, as appropriate, the efforts being made for the development of the renewable energy sector in developing countries on the basis of environment-friendly, renewable sources of energy of demonstrated viability, while taking fully into account the development structure of energy-based economies of developing countries, and to assist in the attainment of the levels of investment necessary to expand energy supplies beyond urban areas.

3. In expressing its appreciation of the continued efforts of the Secretary-General in bringing the World Solar Programme 1996-2005 to the attention of relevant sources of funding and financial assistance, the General Assembly encouraged the Secretary-General to continue his efforts to promote the mobilization of adequate technical assistance and funding and to enhance the effectiveness and the full utilization of existing international funds for the effective implementation of national and regional high-priority projects in the area of renewable sources of energy. The Assembly also recognized that the wider use of available renewable energy technologies requires the diffusion of available technologies on a global scale, including through North-South and South-South cooperation.

4. The General Assembly requested the Secretary-General, in consultation with the United Nations Educational, Scientific and Cultural Organization (UNESCO) and in cooperation with the United Nations Development Programme (UNDP), the Global Environment Facility (GEF), the United Nations Environment Programme (UNEP) and other relevant organizations, to submit to it, at its fifty-sixth session, a report on concrete action being taken for the promotion of new and renewable sources of energy, including the effective implementation of, and mobilization of resources for, the World Solar Programme 1996-2005. The present report has been prepared pursuant to that request.

II. Background

5. Concerns over pollution from energy use have been growing as recognition of the problem by the scientific community has increased, and the scientific basis for decision-making with regard to anthropogenic greenhouse gas emissions has improved. The third assessment report of the Intergovernmental Panel on Climate Change (IPCC) entitled *Climate Change 2001: The Scientific Basis*, states that there is now stronger evidence of human influence on climate than at the time of the second assessment report (1995), and it is likely that increasing atmospheric concentrations of greenhouse gases from human activities have contributed substantially to the global warming observed over the past 50 years (see E/CN.17/2001/2).

6. Moreover, IPCC has revised its earlier estimates of the temperature increase from 1-3.6 degrees Centigrade to 1.5-6 degrees Centigrade. Thus, the increases in atmospheric concentration of carbon dioxide (CO_2) and several other greenhouse gases continue to give cause for widespread concern. In particular, the IPCC report notes that the atmospheric concentration of CO_2 has now risen to over 360 parts

per million from the pre-industrial level of about 270 parts per million.

7. There are also concerns about localized pollutants emanating from fossil fuel use, including sulphur and nitrogen oxides, carbon monoxide and suspended particulate matter. Variously, these gases contribute to depletion of the stratospheric ozone layer and acid precipitation, as well as to increased incidents of ill health and death. The need to mitigate and, where possible, prevent these impacts from fossil fuel use is increasingly recognized.

8. Nearly 2 billion people currently lack access to modern energy services and most of them live in rural areas where non-commercial energy sources, such as biomass, firewood and charcoal, are used, mainly for cooking. Effective demand for energy in the rural areas of many developing countries is constrained by low income levels and low population densities. Connection to the national electricity grid is often difficult and prohibitively expensive. Under such conditions, it may be advantageous to consider energy from renewable sources.

9. Growing environmental and social concerns, on the part of both decision makers and the general public, have brought a new dimension to the perception of the potentially significant contribution renewable energy can make to the energy mix in the long term. The World Solar Programme 1996-2005 is an instrument at the service of the international community for the promotion and enhanced utilization of environment-friendly, renewable sources of energy.[1]

III. Relation to the Programme for the Further Implementation of Agenda 21

10. Renewable energy was included in the deliberations of the ninth session of the Commission on Sustainable Development, held in New York from 16 to 27 April 2001, and was highlighted as a means of making energy systems more supportive of sustainable development objectives. In particular, the Commission recommended that Governments develop energy services, particularly in rural areas, through, inter alia, where appropriate, the development of renewable energy sources, support for increased use of renewable energies both in grid-connected and decentralized systems, development of appropriate policies and programmes to increase the contribution of renewable energies to total energy consumption, and promotion of the utilization of renewable natural resources such as solar, wind, biomass, geothermal, hydro, including mini-hydro, and ocean to meet part of the energy needs for sustainable development. It further recommended the development and implementation of measures to make renewable energy technologies more affordable and strengthening financial support to developing countries for the promotion of renewable energy.

11. In addressing rural energy needs, the Commission on Sustainable Development recommended that Governments promote a sustainable use of biomass and, as appropriate, other renewable energies, support local groups and non-governmental organizations (NGOs) in the promotion and delivery of newly developed environmentally sound technologies, including solar cooker technology, promote capacity-building in local societies and remove barriers to the implementation of policies for renewable energy development in rural areas, and promote rural community participation, including local Agenda 21 groups, with the support of the international community in developing and utilizing renewable energy technologies to meet their daily energy needs.

12. At its second session, held in New York from 14 to 25 August 2000, and as part of its input to deliberations on energy for the ninth session of the Commission on Sustainable Development, the Committee on Natural Resources and Energy for Development recommended the introduction of national and regional policies and programmes to create an enabling environment for the development and utilization of renewable energy sources and to speed up the use of these sources and cover all sectors of the economy. It recommended the expansion of research and development activities, expansion of the role of the private sector in disseminating renewable energy technologies, and implementation of regulatory frameworks as well as greater focus on education and training, and greater emphasis on South-South cooperation in the field of renewable energy utilization. The Committee further recommended the use of the World Solar Programme 1996-2005 as a vehicle to boost the development and implementation of solar energy technologies and its full implementation.

13. In its resolution 55/205, the General Assembly encouraged the Ad Hoc Inter-Agency Task Force on Energy to coordinate the contributions of all relevant

organizations of the United Nations system at the ten-year review of progress achieved in the implementation of the outcome of the United Nations Conference on Environment and Development, the World Summit on Sustainable Development, to be held in Johannesburg, South Africa, in September 2002.

IV. International coordination and cooperation

14. In its resolution 55/205, the General Assembly also encouraged the Ad Hoc Inter-Agency Task Force on Energy to continue its efforts to ensure that the work of the World Solar Programme 1996-2005 is fully integrated into the mainstream of the efforts of the United Nations system to achieve the objectives of sustainable development. Since its inception, the coordination of activities in general has included those under the purview of the World Solar Programme 1996-2005. The World Solar Programme 1996-2005 was considered specifically at the fifth session of the task force when a representative of UNESCO presented a briefing on the status of the World Solar Programme 1996-2005 and the task force had an opportunity to discuss individual projects and explore how best to contribute to the programme. The matrix of activities was developed by the task force as a tool to facilitate cooperation and coordination of the work of the United Nations in the field of energy, including the World Solar Programme 1996-2005. The matrix is an evolving document that is updated and elaborated upon periodically by task force members and is in the public domain at http://www.un.org/esa/sustdev/iaenrma.htm.

15. The UNESCO Programme in 2000-2001 contained provisions for activities contributing to the implementation of the World Solar Programme 1996-2005, and the Director-General was authorized therein to undertake concrete action to ensure that the World Solar Programme 1996-2005 becomes a joint endeavour of the entire United Nations system. At its one hundred sixty-first session, in June 2001, the Executive Board of UNESCO was expected to approve proposals of the Director-General to include activities in favour of the use of new and renewable energies, including the World Solar Programme 1996-2005 in both the UNESCO medium-term strategy 2002-2007 and programme and budget 2002-2003. The UNESCO General Conference is also to consider these proposals in the autumn of 2001.

16. UNESCO continues to pursue a twofold strategy which permits encouragement of discussions on investment opportunities for renewable energy and energy efficiency projects, as well as the stimulation of advocacy and mobilizing functions, and the promotion of training, education and information efforts in the field of renewable energy.

17. UNESCO continues the implementation and the promotion of the Global Renewable Energy Education and Training Programme (GREET), with special attention to Africa, and furthers the International Renewable Energy Information and Communication System. Within the GREET Programme, activities are aimed mainly at the improvement of the use, maintenance and management of solar energy projects and programmes and the transfer of technological know-how. University, continuing and distance education on renewable energy use and applications were improved through education and training activities targeting such professionals in the field as decision and policy makers, researchers, engineers, university teachers and technicians. In addition, with a view to promoting further specialized learning materials on renewable energy, UNESCO has launched the publication of a "Renewable Energy Science and Engineering Series".

18. For the African chapter of the GREET Programme, a new conceptual training solar platform has been designed and implemented at the Scientific, Industrial Research and Development Centre in Zimbabwe. This platform constitutes an adapted training tool and simulator for the dissemination of knowledge about renewable energy for decentralized rural electrification, and will be used to conduct week-long seminars and training programmes at the national and subregional levels. The first training-of-trainers course using platform facilities was organized for the Southern African Development Community in Harare, Zimbabwe, from 2 to 7 April 2001.

19. In another effort to improving the capacity of Member States in this field through training on the use and maintenance of renewable energy technologies and equipment, UNESCO organized the Second Summer School for English-Speaking Africa on "Solar energy for rural electrification" for 33 renewable energy experts and professionals of the Southern African Development Community countries in Harare, Zimbabwe, from 16 to 27 October 2000. This effort is supported by teaching manuals produced by UNESCO

on the use and maintenance of photovoltaic (PV) systems for water pumping and on the use and maintenance of biogas systems, which will also be distributed more widely.

20. UNESCO also supported a training course for solar home systems in Lombok, Indonesia from 22 to 24 November 2000 in cooperation with the Indonesian Agency for the Assessment and Application of Technology, within the framework of a project on "Multichannel Learning for Empowering Women Farmers using Renewable Energy".

21. Efforts continue to be made by UNESCO, in association with multilateral partners and national specialized institutions, to promote wider use of renewable energy and to enhance bilateral and regional cooperation through the co-organization of regional business and investment forums for renewable energy sources. Three forums targeting Asia and the Pacific (Kuala Lumpur, Malaysia, 4-7 September 2000), the Arab region (Muscat, Oman, 12-15 November 2000), and the Mediterranean region (Marrakech, Morocco, 14-17 May 2001) were successfully implemented. These events helped to promote financing opportunities for projects using efficient renewable energy technologies and for sustainable development and therefore constitute a concrete initiative to assist Member States in mobilizing resources and identifying financial opportunities by facilitating contacts and interaction among decision and policy makers, local authorities, investors, financing institutions, industrialists, electricity utilities, managers, researchers and professionals in the field of renewable energy.

22. Further efforts have also been made to promote the establishment of an African solar council and the promotion of renewable energy in Africa through the active participation of UNESCO in the "Promotion of Renewable Energies in Africa", an event held in Niamey, Niger, from 22 to 25 January 2001. At that event, the following major topics were discussed: (a) education and training on renewable energy, (b) decentralized rural electrification and environmental protection and (c) renewable energy for development. Among the documents prepared by UNESCO for the meeting, the "World Solar Programme 1996-2005: Africa — mechanisms of implementation (an outline)" was furnished to national authorities in Africa.

23. A planned evaluation of the contribution of UNESCO to the World Solar Programme 1996-2005 will provide an opportunity for UNESCO to update its programme in renewable energy and align it with emerging priorities.

24. The Department of Economic and Social Affairs has undertaken a number of concrete initiatives to assist countries in the development and utilization of renewable energy. With combined funding from GEF and the Governments of Australia, China and the Netherlands, a project in China to remove barriers to the rapid commercialization of renewable energy is currently under way. Key activities include technical assistance and capacity-building to create a policy framework that promotes renewable energy development, provides incentives and new mechanisms for financing and credit arrangements, and promotes innovative business models with the participation of entrepreneurs, NGOs and community-based organizations. As part of its market-oriented approach, the project has established and is strengthening the China Renewable Energy Industry Association, is compiling a portfolio of bankable renewable energy projects within an Investment Opportunity Facility, and is creating a geographic information system for solar and wind resource data. Finally, the project is demonstrating some renewable energy applications with which China has had little experience to date, such as hybrid solar-wind systems, and advanced biomass and biogas technologies.

25. Under a trust fund established by the Government of Italy, assistance is also provided by the Department of Economic and Social Affairs to small island developing States for projects to promote solar lighting in homes, schools and community centres and for such solar-operated equipment as radios, televisions and medical refrigerators. Projects have been recently completed in Mauritius, the Federated States of Micronesia, Seychelles, St. Lucia and Solomon Islands, and others are under implementation in Fiji, Marshall Islands and Papua New Guinea. Recently, a trust fund was established in the Department of Economic and Social Affairs by the Government of the Netherlands to provide assistance for the African Development Bank to build capacity within the Bank to support renewable energy programmes of Member States in Africa. In addition, the Syrian Arab Republic is being provided with assistance on the creation of a master plan for the development and application of renewable energy

technologies. In the Arab States, a UNDP-funded regional project focusing on building local capacity for undertaking renewable energy programmes has been successfully completed. Specific attention was given to decentralized rural applications, entrepreneur development, and standards and best practices. The project paved the way for better exchange of information among the participating countries on renewable energy developments and prospects, as well as on expertise available within and outside the region. Projects on biomass for rural economies and on rural energy commercialization for income generation and productive applications are under implementation in India. In addition, several new projects on renewable energy have also been approved by the United Nations Foundation for implementation by the Department of Economic and Social Affairs in China and India.

26. GEF, through its three implementing agencies (the World Bank, UNDP and UNEP), has provided significant levels of financing for renewable energy projects in developing countries. In its first decade (1991-2000), GEF approved $570 million in grants for 48 renewable energy projects in 47 countries with developing and transitional economies. Total funds mobilized for these projects have exceeded $3 billion, because GEF grants have also leveraged significant financing and other resources from Governments, other donor agencies, regional development banks, implementing agencies, and the private sector. These renewable energy projects fall into two categories: those aimed at removing barriers to markets for commercial or near-commercial technologies, and those for reducing long-term technology costs through research, demonstration and commercialization. GEF seeks to involve and support the private sector and promote commercial and sustainable markets for a variety of renewable applications, with the overarching goal of developing sustainable private markets to expand the use of renewable energy in developing countries and maximize the social, economic and environmental benefits this can bring. GEF renewable energy projects involve private firms as manufacturers and dealers, local project developers, financial intermediaries, recipients of technical assistance, technology suppliers and contractors, and project executors. Private project developers, for example, receive financing and technical assistance, while also benefiting from improved regulatory frameworks.

27. Examples of GEF-financed projects include: support to private solar home systems dealers in Bangladesh, China, India, Indonesia, Sri Lanka, Viet Nam and Zimbabwe; wind power and small hydropower developers in China, India and Sri Lanka; bagasse power developers in Mauritius; and solar hot water heating manufacturers and installers in Tunisia. Domestic technology development grants have featured in some projects, notably for wind turbine and solar PV module manufacturers in China. Some projects, including one in Sri Lanka, facilitate innovative microfinancing approaches through local organizations that increase affordability and expand local markets. The GEF has recently begun to consider long-term project approaches, such as a new 10-year project in Uganda to remove market barriers to private sector development for approximately 70 megawatts of biomass, hydro, and solar energy systems. The project will build on a newly enacted private power law through comprehensive capacity-building, institution strengthening, and the introduction of regulatory approaches to facilitating environmentally sustainable private sector delivery mechanisms.

28. Working with a wide range of partners, UNEP helps develop and implement approaches for analysing various energy policies, climate change mitigation options, energy sector reform, industrial energy efficiency and the environmental implications of transport choices. Its efforts are primarily directed at developing countries, and much of its work is done jointly with energy-environment-development institutes located in countries throughout the world. The UNEP Collaborating Centre on Energy and Environment is an international group of scientists, engineers, and economists that provides technical and analytical support for UNEP and partners in developing countries. Specific projects and activities on renewable energy include the African Rural Energy Enterprise Development Initiative, which engages the private sector to deliver affordable energy services based on clean and renewable energy technologies in five African countries. The project has different components that focus, respectively, on enterprise development, NGO capacity-building, financing institution training, and policy reform in Governments.

29. The Renewable Energy Technology/Energy Efficiency Investment Advisory Facility of UNEP helps financial institutions evaluate potential renewable energy technology or energy efficiency investments in

countries with developing and transitional economies. UNEP is also working to strengthen the capability of Pacific island nations to plan and manage the integration of wind generation into their electricity sectors. The main activities include the development of courses on wind power at the University of the South Pacific, the installation of an experimental turbine, staff training, and the preparation of a wind energy development plan. UNEP has helped Natural Resources Canada enhance the usefulness of a pre-feasibility analysis software for renewable energy projects by adding a greenhouse gas worksheet that allows analysts to calculate the emissions avoided by a renewable energy technology investment, and by enhancing the international features of the tool.

30. UNEP has produced a number of publications on renewable energy technologies and has launched a pilot initiative, the Sustainable Energy Advisory Facility, to provide information and technical support for sustainable energy activities in selected developing countries, with a focus on policy changes to establish a framework for sustainable energy approaches. Many of the advisory services to Governments focus on renewable energy. Partly in response to the decisions of the ninth session of the Commission on Sustainable Development, UNEP is expanding this pilot effort, using an approach that links into a network leading energy-environment policy centres in developing and developed countries.

31. The United Nations Industrial Development Organization (UNIDO) promotes the development of renewable energy technologies, including biomass, solar, wind, hydro and marine energy. In Africa, UNIDO promotes the use of biomass for industrial energy and supports local manufacture for the equipment needed for biomass conversion and use. UNIDO also encourages the development of the manufacturing sector devoted to renewable energy, such as the wind turbine industry in Egypt. To stimulate investment in renewable energy technologies, UNIDO disseminates information on the application of solar, wind and sustainable biomass energy technologies. A specialized Centre for the Application of Solar Energy has been established in Australia to provide rapid and cost-effective support and advice on solar energy technologies and market advice for entrepreneurs seeking to invest in solar and other renewable energy industries.

32. The Food and Agriculture Organization of the United Nations (FAO) has implemented renewable energy projects aimed at increasing the supply of biofuels, reducing woodfuel consumption and increasing energy efficiency (using improved stoves and charcoal-making techniques), promoting renewable energy applications to enhance agricultural productivity and for rural energy services such as electricity, improving market and trade mechanisms, fostering gender equality, addressing health problems, and promoting biomass energy for combined heat and power. It has conducted such energy planning and training activities at the regional and national levels as the Regional Wood-Energy Development Programme for Asia.

33. Extensive programmes that promote the development and use of renewable sources of energy are also being implemented by several of the United Nations regional commissions, including the Economic Commission for Latin America and the Caribbean (ECLAC), the Economic and Social Commission for Asia and the Pacific (ESCAP) and the Economic and Social Commission for Western Asia (ESCWA). For example, in ESCAP, efforts are continuing to promote greater awareness of renewable energy technologies and their potential, and to enhance capacity-building through the organization of seminars and workshops to share experiences and know-how. One such event is a regional seminar on commercialization of biomass technologies for their enhanced utilization in Guangzhou, China, from 4 to 8 June 2001. In addition, ESCAP is undertaking a technical assistance project to promote commercialization of renewable energy technologies in the Asian region.

V. Obstacles and constraints impeding the promotion of new and renewable sources of energy and options for action to overcome them

34. Although the actions described in chapter IV above are significant, it is obvious that much more needs to be done to promote new and renewable sources of energy, including the implementation of the World Solar Programme 1996-2005. Therefore, an analysis of the obstacles and constraints impeding the development and utilization of new and renewable

sources of energy can be helpful in understanding possible options for action. Preparations for the discussion on energy issues at the ninth session of the Commission on Sustainable Development provided an opportunity to undertake the following analysis of this issue.

35. Although energy from new and renewable sources in its modern forms, excluding large hydropower, currently plays a relatively minor role in the global energy system, its progressively increasing role is considered crucial if the objectives of energy for sustainable development are to be achieved. Since the time of the United Nations Conference on New and Renewable Sources of Energy, held in Nairobi in 1981, nearly all countries have been attempting to adopt strategies for promoting new and renewable sources of energy, in diverse ways and under distinct sets of constraints. With availability characteristics specific to each new and renewable energy source, diffusion of the technologies for harnessing each source faces distinct barriers and constraints. Policy options and strategies for increasing the scale application of new and renewable energy sources must take account of the diversity of national circumstances, as well as of technology options.

36. The main challenge lies in the development and utilization of new and renewable energy technologies on a scale wide enough to impact on the energy situation nationally and globally. Despite progress in promoting renewable energy applications, numerous constraints and barriers continue, although some have been lowered in recent years. Actions initiated both by Governments and international agencies to remove them over the past two decades have not been commensurate with the scale of effort needed to mainstream energy from new and renewable sources into the energy sector.

37. Challenges confronting new and renewable energy development and utilization include the following:

(a) Low priority given to new and renewable energy development in national energy planning and policy development;

(b) Uneven playing field due to subsidies for conventional energy systems (including direct and indirect fuel subsidies);

(c) Lack of commensurate institutional arrangements;

(d) Lack of awareness of technologies, as well as their economic and social benefits;

(e) Inadequate support for technology development;

(f) Market uncertainties and constraints regarding access to technologies;

(g) Non-uniform and discouraging levels of import duties and other levies;

(h) High upfront cost of renewable energy systems;

(i) High transaction costs of smaller-scale projects;

(j) Lack of financing and credit arrangements;

(k) Inadequate development of standards and best practices for all new and renewable energy systems;

(l) Lack of manufacturing infrastructure;

(m) Paucity of skilled human resources.

38. The creation of an enabling policy environment, with appropriate institutional arrangements at the national level, would accelerate the development and wider scale application of new and renewable sources of energy. The experience of some countries that have established separate ministries, government departments or agencies dedicated exclusively to renewable energy indicates that such action has invariably spurred a variety of policy initiatives and catalysed nationwide activities. An institutional focal point at the national level, with its counterparts at decentralized levels, enables a country to evolve a coherent and coordinated approach with the involvement of relevant entities in the public and private sectors, and with NGOs.

39. Available policies include the following:

(a) Linking new and renewable energy policies to sustainable development policies and to actions consistent with international agreements;

(b) An enabling environment;

(c) Legal and regulatory policies and frameworks for attracting investment;

(d) Providing a clear policy message to mobilize all key actors and catalyse them into action.

40. Technology dissemination options include the following:

(a) Market-oriented approaches for the diffusion of mature solar, wind, biomass and other new and renewable energy technologies;

(b) Enhancing funding for research, development and demonstration;

(c) Investing in the creation of national centres of excellence in new and renewable energy, which in turn can lead to strengthening local capacity;

(d) Establishing networks at the subregional, regional and international levels in order to attract international support and to foster international cooperation, including South-South cooperation;

(e) Facilitating joint research programmes and cost-shared research;

(f) Facilitating the process of learning from the experience of industrialized nations in establishing closer links between research and development and industry and in establishing international cooperation agreements and partnerships.

41. Other institutional arrangements include the following:

(a) Establishing national institutions in the public and private sectors for the implementation of policy and regulation;

(b) Supporting decentralized institutions that can provide the necessary interfaces for programme promotion and serve a catalytic role by providing public information and encouraging participatory approaches involving NGOs and community-based organizations;

(c) Facilitating institutional networks for research, development and demonstration.

42. The introduction of innovative financing and credit schemes, including concessional loans to users as well as to manufacturers, is an option that can provide the needed impetus for the expansion of new and renewable energy applications. Innovative financing options have emerged in recent years aimed at overcoming the barriers faced in attempting to commercialize new and renewable energy technologies.

VI. Conclusion

43. Concrete action being taken for the promotion of new and renewable sources of energy, including the implementation of the World Solar Programme 1996-2005, represent progress at the international level and by individual Governments as part of the global effort to achieve the objectives of sustainable development in the area of energy. However, an analysis of the obstacles and constraints indicates that there is much more that can and needs to be done at the national, regional and international levels, and suggests many options that can be considered to overcome them.

44. In preparation for the World Summit on Sustainable Development in 2002, the Ad Hoc Inter-Agency Task Force on Energy is continuing efforts to enhance cooperation on programmes, projects and activities that promote the full integration of the World Solar Programme 1996-2005 in the mainstream of efforts of the United Nations system to achieve sustainable development. The task force was able to coordinate the contributions of all relevant organizations of the United Nations system to the consideration of the theme of energy by the Commission on Sustainable Development at its ninth session and is making efforts to achieve the same success at the World Summit on Sustainable Development.

Notes

[1] The term "solar" is used herein in a generic sense and refers to all forms of renewable energy, including the solar thermal, solar photovoltaic, biomass, wind, mini-hydro, tidal, ocean and geothermal forms.

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Item 86 (v) of the preliminary list*
General and complete disarmament

Follow-up to the advisory opinion of the International Court of Justice on the *Legality of the Threat or Use of Nuclear Weapons*

Note by the Secretary-General

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* A/56/50.

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I. Introduction

1. In its resolution 55/33 X of 20 November 2000, entitled "Follow-up to the advisory opinion of the International Court of Justice on the *Legality of the Threat or Use of Nuclear Weapons*", the General Assembly requested all States to inform the Secretary-General of the efforts and measures they had taken on the implementation of the resolution and nuclear disarmament, and requested the Secretary-General to apprise the Assembly of that information at its fifty-sixth session.

2. By a note verbale dated 16 February 2001, all Member States were invited to inform the Secretary-General of the efforts and measures they had taken with regard to the implementation of the resolution and nuclear disarmament.

3. Replies have been received thus far from Jordan, Mexico, the Philippines and the Syrian Arab Republic. Any additional information received from Member States will be issued as addenda to the present report.

II. Information received from Governments

Jordan

[Original: Arabic]
[18 June 2001]

1. Jordan is a country that is free of nuclear weapons, inasmuch as it does not possess any such weapons or the means for their delivery, has had nothing to do with them directly or indirectly and has no aspirations or intentions for their acquisition or for the development of any programmes relating to such weapons.

2. Jordan has never provided any assistance, whether scientific, technical or material, to any party endeavouring to acquire or develop nuclear weapons, and it has not permitted any activities relating to such weapons to take place in its territory.

3. Jordan supports all international and regional efforts to prohibit the use of nuclear weapons and to eliminate them with a view to achieving a world free of such weapons. Jordan has expressed this support by:

(a) Acceding to the Treaty on the Non-Proliferation of Nuclear Weapons, which it ratified in February 1970;

(b) Acceding to the Comprehensive Nuclear-Test-Ban Treaty, which it ratified in August 1998;

(c) Incorporating a provision in article 4, paragraph 7, of the Treaty of Peace between Jordan and Israel for the creation of a zone free of weapons of mass destruction in the Middle East;

(d) Participating, in the framework of the League of Arab States, in the elaboration of a draft treaty for a Middle East free of weapons of mass destruction, and principally nuclear weapons.

4. Jordan supports the initiation in 2001 of multilateral negotiations leading to the early conclusion of a comprehensive and non-discriminatory convention for the prohibition of the development, production, testing, deployment, stockpiling and transfer of nuclear weapons and of the use or threat of use of such weapons, and for their elimination.

Mexico

[Original: Spanish]
[7 June 2001]

1. Mexico remains convinced that the sole guarantee that nuclear weapons will not be used is their total elimination. It therefore reaffirms the historic importance of the advisory opinion of the International Court of Justice, whose unanimous conclusion indicates that there is an obligation to undertake in good faith and conclude negotiations leading to nuclear disarmament in all its aspects, under strict and effective international control.

2. Mexico considers it urgent to implement the 13 measures agreed in accordance with the Final Document of the 2000 Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons. Hence the importance of the establishment of an ad hoc committee on nuclear disarmament within the Conference on Disarmament for the purpose of determining steps towards the goal of the complete elimination of nuclear weapons.

3. Mexico reiterates that the threat or use of nuclear weapons is contrary to the rules of international law applicable to armed conflicts, especially the principles and rules of humanitarian international law.

Philippines

[Original: English]
[29 June 2001]

Constitutional policy on nuclear weapons

1. Article II, section 8, of the Constitution of the Philippines is the cornerstone of Philippine policy with regard to nuclear weapons within Philippine territory. This constitutional provision states:

> "The Philippines, consistent with the national interest, adopts and pursues a policy of freedom from nuclear weapons in its territory."

From this basic policy emanates the following Philippine goals:

(a) Maintaining a stable and peaceful international and regional environment;

(b) Promoting the creation of a non-nuclear-weapon world, in accordance with article II, section 8, of the Constitution;

(c) Ensuring the country's protection from the threat or use of weapons of mass destruction by other countries.

2. To this end, the Philippines believes that all nations should fulfil the obligation to pursue in good faith and bring to a conclusion negotiations leading to nuclear disarmament in all its aspects under strict and effective international control, as determined by the Court in its unanimous conclusion in its advisory opinion.

Advisory opinion of the International Court of Justice on the *Legality of the Threat or Use of Nuclear Weapons*

3. Consistent with Philippine law and policy, the Philippines supported efforts to request an advisory opinion from the International Court of Justice, filed pleadings and made oral presentations before the Court arguing that the threat or use of nuclear weapons violates international law, and has consistently been a sponsor of the draft resolution entitled "Follow-up to the advisory opinion of the International Court of Justice on the *Legality of the Threat or Use of Nuclear Weapons*" in the United Nations General Assembly.

Latest developments relating to the South-East Asia Nuclear Weapon-Free-Zone Treaty

4. The Philippines has completed all its internal requirements to become a State party to the South-East Asia Nuclear Weapon-Free-Zone Treaty and deposited its instrument of ratification on 21 June 2001 with Thailand, the depositary of the Treaty.

5. There has been continued progress in the consultations between the States parties to the Treaty and the nuclear-weapon States. A direct dialogue between the States parties to the Treaty and the nuclear-weapon States was held in Hanoi in May 2001. This was considered a significant step towards securing the accession of the nuclear-weapon States to the Protocols to the Treaty.

Comprehensive Nuclear-Test-Ban Treaty

6. The Philippines deposited its instrument of ratification for the Comprehensive Nuclear-Test-Ban Treaty on 3 February 2001 and is working with other States parties to call upon States, particularly those required for the Treaty to enter into force, to become States parties to the Comprehensive Nuclear-Test-Ban Treaty. The Philippines is also actively participating in the establishment of monitoring stations. Moreover, the Philippines supports the moratoria on nuclear weapons test explosions.

Treaty on the Non-Proliferation of Nuclear Weapons

7. As a State Party to the Non-Proliferation Treaty, the Philippines joins other States parties in calling for universality of the Treaty and supports the efforts of the international community to eradicate nuclear weapons. The active participation of the Philippines in the 2000 Conference and the Review and preparatory work for the Conference demonstrated its unwavering commitment to the elimination of the scourge of nuclear weapons. The Philippines believes that the Non-Proliferation Treaty process is a significant contribution towards ensuring an environment of peace for future generations.

International conference on eliminating nuclear dangers

8. The Philippines continues to support the call made by the Heads of States and Government in the United Nations Millennium Declaration (General Assembly resolution 55/2) for Member States to eliminate weapons of mass destruction, particularly nuclear weapons, and to keep all options open for this aim, including the possibility of convening an international conference to identify ways of eliminating nuclear dangers. The Philippines supports the stand of the Movement of Non-Aligned Countries and the Association of South-East Asian Nations to fulfil this obligation.

Syrian Arab Republic

[Original: Arabic]
[15 May 2001]

1. In its advisory opinion on the *Legality of the Threat or Use of Nuclear Weapons*, issued on 8 July 1996, the International Court of Justice observes that the unique characteristics of nuclear weapons, in particular their destructive capacity, their capacity to cause untold human suffering and their ability to cause damage to generations to come, render them potentially catastrophic. The destructive power of nuclear weapons cannot be contained in either space or time. They have the potential to destroy all civilization and the entire ecosystem of the planet.

2. The Syrian Arab Republic, in accordance with the principles governing its policy of enhancing international peace and security and with the purposes and principles of the United Nations, and as part of its general perspective on complete and comprehensive disarmament, has spared no effort in supporting the resolutions of the United Nations relating to disarmament. In 1968 it became a party to the Treaty on the Non-Proliferation of Nuclear Weapons and agreed to be bound by its safeguards regime. The Syrian Arab Republic endorses General Assembly resolution 55/33 X, entitled "Follow-up to the advisory opinion of the International Court of Justice on the *Legality of the Threat or Use of Nuclear Weapons*", and it calls for the adoption of practical measures for the elaboration of a phased programme for the complete elimination of nuclear weapons within a specified time frame and under effective international supervision.